

Apprenticeship Levy: one year on

August 2018



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Economy, Infrastructure and Skills Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: **0300 200 6565**

Email: **SeneddEIS@assembly.wales**

Twitter: **[@SeneddEIS](https://twitter.com/SeneddEIS)**

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About the Committee

The Committee was established on 28 June 2016 to examine legislation and hold the Welsh Government to account by scrutinising expenditure, administration and policy matters, encompassing (but not restricted to): economic development; transport; infrastructure; employment; skills; and research and development, including technology and science.

Committee Chair:



Russell George AM
Welsh Conservatives
Montgomeryshire

Current Committee membership:



Hefin David AM
Welsh Labour
Caerphilly



Vikki Howells AM
Welsh Labour
Cynon Valley



Mark Isherwood AM
Welsh Conservatives
North Wales



Adam Price AM
Plaid Cymru
Carmarthen East and Dinefwr



David J Rowlands AM
UKIP Wales
South Wales East



Lee Waters AM
Welsh Labour
Llanelli



Joyce Watson AM
Welsh Labour
Mid and West Wales



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Chair's foreword

Since the announcement of the UK Government's Apprentice Levy in 2015, the Welsh Government and Welsh employers have highlighted a number of concerns regarding its implementation in Wales. Our Committee listened to these concerns and resolved to investigate them in more depth. This investigation resulted in the publication of a report published in March 2017, which contained a number of recommendations aimed at supporting Welsh employers to adapt to the imposition of the Levy.

At the time, we asked the Welsh Government to provide us with an update as to the effect of the Levy one year on from its introduction. It refused to do this so we opted to review the situation ourselves.

We have found that some of the challenges and concerns we identified a year ago in our initial report have yet to be fully resolved. There are still questions around communication and engagement with employers of all sizes, the portability and relevance of qualifications and the level to which all employers in Wales feel supported to develop and grow new staff.

Some evidence suggests that the Levy has increased some employers' focus on the potential opportunity afforded by apprenticeships. We are keen to see non-Levy-paying, small and medium sized businesses maintain their current level of access to apprentices and the number of young people accepted on apprenticeships maintained, if not increased.

The Committee has put a strong emphasis on apprenticeships early in this Assembly. We have done so because they are an important and effective way to change the lives of individuals and grow Welsh businesses and the wider economy. We recognise that the situation is clearly still developing, but we will remain vigilant to ensure these opportunities are available as widely as possible for as many people as possible.

Russell George
Chair
Economy, Infrastructure and Skills Committee
July 2018

Recommendations

Recommendation 1. The Committee calls on the Welsh Government to keep the membership of the new Welsh Apprenticeship Advisory Board under review and ensure there are suitable pathways for all employers to influence the work of this Board. To this end, the Board should work transparently and ensure its papers and findings are published and disseminated in a timely and appropriate manner.

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Recommendation 2. The Committee calls on the Welsh Government to build on the momentum created by the Levy and encourage greater engagement between employers and young people. Engagement should seek to promote inclusivity and diversity across frameworks, including through the new Inclusive Apprenticeships Working Group, which should publish its action plan and share it with this Committee within 12 months of its first meeting.....Page 17

Recommendation 3. The Committee calls on the Welsh Government to work with the UK Government and other devolved nations to simplify the administrative process for employers and find commonality between the UK and devolved nations' approaches.....Page 21

Recommendation 4. The Committee calls on the Welsh Government to consider the recommendations made in "The Great Training Robbery", and act on those that are applicable to the Welsh context.....Page 21

Recommendation 5. The Committee calls on the Welsh Government to issue high-level information on what support for workplace learning is available to employers in Wales, including apprenticeship and wider workplace training, and to disseminate that information through the WAAB and employers' representative bodies or organisation.....Page 21

Recommendation 6. The Welsh Government should be clear on the impact its focus on higher level apprenticeships will have on lower level apprenticeships. Where possible, the impact should be mitigated and the number of lower level apprenticeships reduced at a pace that is in line with the provision of alternative training arrangements.....Page 25

Recommendation 7. The Committee calls on the Welsh Government to ensure that provision is made for people to access apprenticeships that will enable them to meet the challenges that will be posed by automation as part of the fourth industrial revolution.Page 25

Recommendation 8. The Welsh Government should keep under review the percentage of young people entering a workforce to undertake an apprenticeship, and how many apprenticeships are being used to upskill existing staff.....Page 25

Recommendation 9. The Committee calls on the Welsh Government to reconsider its assumption that working in foundational sectors equates to a cap on skills and attainment. The Committee calls for clarity from the Welsh Government on the training and support available in place of Level 2 apprenticeships, and how the qualifications available to employees in the foundational sectors prepare them for higher-level learning.....Page 25

Recommendation 10. The Committee calls on the Welsh Government to task WAAB with exploring how employers and training providers can work together to improve value for money outcomes that represent good quality and best fit for the employer, whilst protecting the portability of qualifications..... Page 29

Recommendation 11. The Committee notes the Welsh Government’s response to our previous recommendation in *Apprenticeships in Wales*, February 2018, in which the Welsh Government agreed in principle with the call for concessionary bus or rail cards for apprentices, dependent on the outcome of its consultation on “discounted bus travel for young persons in Wales”. As that consultation summary of responses notes “very strong support for including those in recognised apprentice schemes (85%)”, the Committee reiterates its recommendation for concessionary bus or rail cards for apprentices..... Page 29

Recommendation 12. The Committee calls on the Welsh Government to work with public services to find innovative ways to support apprenticeships and other workplace learning for an increasing number of roles.....Page 31

Recommendation 13. The Committee calls on the Welsh Government and Home Office to increase its efforts to resolve the issue of funding for police apprenticeships in Wales, ensuring that the Police forces are kept fully up to date with progress on the negotiations.....Page 31

Conclusions

Conclusion 1. The Committee notes the divergence between the two nations and the statistics that show apprenticeship starts in England have dropped. However, it finds the Minister's assessment of the performance of the Welsh system to be too tightly focused on its difference to the English, rather than being based on robust analysis.....Page 12

Conclusion 2. The Committee reiterates its support for the Minister's view that wholesale consultation resulting from the UK Government's announcement of the Levy would not necessarily be desirable..... Page 16

Conclusion 3. However, the Committee considers there to be a clear need for broad and meaningful consultation with employers in Wales who wish to influence the development of the apprenticeship skills framework, some of whom still feel uninformed about how the programme in Wales can help develop their workforce. The Committee looks to the newly established Welsh Apprenticeship Advisory Board to carry out that role. Page 16

Conclusion 4. The Committee recognises the need for employers in Wales to be kept well informed. The Committee welcomes the Welsh Government's commitment to publishing a revised employer toolkit before the summer.
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Conclusion 5. The Committee believes that the Levy has focused minds on the delivery of apprenticeships, creating an opportunity to build on momentum and widen the discussion to young people and their parents. The Committee has previously expressed the importance of doing so in a way that promotes inclusivity and diversity and so welcomes the establishment of the Inclusive Apprenticeship Working Group and the development of the assessment tool.
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Conclusion 6. The Committee is concerned to hear that some employers are choosing to deliver apprenticeships through the English system only. This appears to be as a direct result of their perception of the Welsh system as less flexible and not affording them direct influence over the training content..... Page 20

Conclusion 7. The Committee was also concerned to hear that the portability of qualifications remains an issue, although it was pleased that this area is one of three key priorities for the Minister..... Page 20

Conclusion 8. A lack of commonality between the nations of the UK is an issue for some UK wide businesses..... Page 20

Conclusion 9. In its February 2018 report “Apprenticeships in Wales”, the Committee stated its support for degree level apprenticeships and welcomes the roll out of new apprentice degree options. The Committee notes the Welsh Government’s acceptance of its earlier recommendations on this issue and looks forward to an update on the development and delivery of degree apprenticeships in October 2018. Page 20

Conclusion 10. The Committee is concerned that there remains confusion about what the apprenticeship and wider workplace skills programme offers employers in Wales, and the perceived complexity of the system. Page 20

Conclusion 11. Where lessons have been learned elsewhere, such as those set out in the report “The Great Training Robbery”, they should be considered in the Welsh context and acted on, where applicable..... Page 21

Conclusion 12. The Committee recognises and is supportive of the Welsh Government’s encouragement of higher-level apprenticeships to meet the future needs of employers, especially in the face of the challenges and opportunities we anticipate automation, widely referred to as “the fourth industrial revolution”, to bring. However, there remains a need for lower level qualifications as an entry point for staff, and to meet the current needs of industries and sectors.Page 24

Conclusion 13. The introduction of the Levy created expectations for Levy and non-Levy employers, including those that the Welsh Government does not consider to be in an apprenticeship priority sector. Where those expectations have not been met, employers are feeling let down.....Page 25

Conclusion 14. The Committee considers the Welsh Government’s focus on apprentice progression to be reasonable. However, the Committee does not agree with the Minister’s definition of a “Foundational Economy” and considers the Minister’s correlation between foundational sectors and low skill as unhelpful at best.....Page 25

Conclusion 15. Frustrations around learning support for industries and sectors considered non-priority by the Welsh Government are discussed in the previous section of this report. But even without that distinction being applied, it is clear that an increasing number of employers are looking for returns on their levy payments, and are frustrated at the restrictions that hamper their efforts to develop good quality apprenticeships that they consider right for their business. Page 28

Conclusion 16. Employers’ concerns around the suitability and quality of training provided as part of Welsh apprenticeship schemes raises questions around value for money. The Levy has given employers in England a direct route to training providers but this is not the case in Wales. At times, that has left employers frustrated that they cannot access the training that is right for them. Page 28

Conclusion 17. The new WAAB has been tasked with challenging and championing course content, but it is too early to tell if their work will alleviate the frustrations expressed here, and enable employers to feel engaged in the development of the apprentice programmes they have access to. Implementing recommendation 1 of this report should impact positively on this issue. Page 28

Conclusion 18. The Committee has previously made recommendations on the need to provide financial support to apprentices. The Committee considers this need to be unchanged. Page 28

Conclusion 19. As it did in its 2017 Levy report, the Committee notes the additional pressure the Levy places on the public sector in Wales, and the need to continue to be innovative in the development of support for public service staff. Page 31

Conclusion 20. The Committee considers the pressures on the Welsh Police forces to be an unintended consequence of the Levy. However, there appears to be limited progress in alleviating those consequences and finding a solution that avoids putting Welsh Police forces under pressure. Page 31

1. Introduction

1. In the 2015 Spending Review and Autumn Statement, the UK Government introduced an Apprenticeship Levy, payable by all eligible private and public employers across the whole of the United Kingdom. The Levy came in to force on 6 April 2017.
2. The Levy is payable on wage bills in excess of £3 million a year and is paid alongside income tax and National Insurance. Employers whose wage bills are above that threshold have to contribute 0.5% of their wage bill, based on total employee earnings and excluding payments such as benefits in kind. Levy-paying employers are given an apprenticeship allowance of £15,000 per year to offset against the Levy paid.
3. One of the intentions behind the Levy was to encourage employers to review and re-evaluate their apprenticeship, training and development policies.
4. The Levy's introduction raised a number of issues, leading the Committee to launch an inquiry in November 2016. One of the Committee's 13 recommendations was to review the effects of the Levy no later than a year after its introduction. The Welsh Government rejected that recommendation so the Committee undertook its own review.

Background

5. The Committee's review called for written evidence from stakeholders and received 14 responses.
6. The Committee also took evidence from the Minister for Welsh Language and Lifelong Learning, Eluned Morgan AM.

Context

7. UK Government figures highlighted that following the introduction of the Levy in April 2017, the number of apprenticeship starts in England between May and July 2017 (quarter four of the 2016/17 academic year) had reduced by nearly 60 per cent in relation to the same period of the previous academic year. While recruitment figures increased from August 2017 to April 2018, with 290,500 apprenticeship starts recorded, this still compares unfavourably with the 440,300 and 384,500 starts reported in the equivalent period in 2016/17 and 2015/16 respectively.

8. In Wales, apprenticeship starts had increased by 1.8 per cent across 2016/2017, compared to 2015/16, indicating a less profound impact of the Levy on apprenticeship starts. This may be the result of the Welsh Government's decision not to change the way employers engage with the apprenticeship system in Wales, with CITB Wales welcoming the "stabilisation and certainty for our sector in Wales".¹

9. The UK Government considered the fall in numbers in England to be a part of the "natural" process that employers "take time to reflect on what the changes mean and how to maximise the opportunities they represent".² However, the Committee notes that even one year on, apprenticeships starts have yet to reach their pre-Levy levels.

10. The Welsh Government told the Committee that the apprenticeship system in Wales was outperforming that in England, with higher numbers of apprentices in Wales and a focus on protecting the "brand" of the qualification.³ The Minister referred to an analysis of the English system that highlighted failings, but was unable to provide an analysis of the system in Wales, which remains unchanged following the introduction of the Levy.

Conclusion 1. The Committee notes the divergence between the two nations and the statistics that show apprenticeship starts in England have dropped. However, it finds the Minister's assessment of the performance of the Welsh system to be too tightly focused on its difference to the English, rather than being based on robust analysis.

¹ [Consultation response 02 CITB](#)

² [Response to Written Question 112477](#)

³ [Record Of Proceedings, para 10](#)

2. Communication and Engagement

Consultation

11. In March 2017, the Committee reported that there was a lack of consultation between the UK Government and the devolved nations before the introduction of the Levy.

12. Employers told the Committee, at the time of our first inquiry into the Levy, there was a varying level of engagement with the Welsh Government after the Levy was announced, largely based on whether employers were in a priority sector or not.

13. The then Minister for Skills and Science, Julie James AM, told the Committee that she would not be carrying out further consultation with employers on apprenticeships as she did not intend to make changes to the Welsh apprenticeship policy.

Consultation update

14. A year on from that decision, the Welsh Retail Consortium responded to the Committee's follow-up inquiry with another call for consultation, "even at this late stage".⁴

15. During its follow-up review, the Committee heard that the need for consultation has largely moved on from discussion around the introduction of the Levy to considerations around how the Welsh model of support can best meet the diverse needs of Welsh employers.

16. The Federation of Small Businesses (FSB) reflected on the on-going need for "broad employer input"⁵ to review and develop the apprentice frameworks to ensure their suitability for all.

17. The NHS identified the need to find appropriate forums for on-going discussions around training provision and a potential "disconnect between NHS Wales workforce requirements and Welsh Government Apprenticeship priorities e.g. Level 2 Apprenticeships". They told the Committee "there is difficulty in ensuring that health is appropriately represented through regional skills

⁴ [Consultation response 10 Welsh Retail Consortium](#)

⁵ [Consultation response 08 Federation of Small Businesses](#)

partnership boards. There is a view that the health “voice” is lost regionally, whereas nationally, NHS Wales is the biggest single employer in Wales”.⁶

18. The Welsh Government suggested that their newly formed “independent employer-led Welsh Apprenticeship Advisory Board (WAAB)”⁷ met this need. The WAAB sits under the Wales Employment and Skills Board and has representation from Levy- and non-Levy-paying employers, 50 per cent of whom are SMEs. The Board has been tasked with challenging and championing the content of the apprenticeships programme.

Information

19. In early 2017, employers told the Committee that there was a need for more information about the Levy, and more dialogue between the Welsh Government and employers. At that time, the Welsh Government was in contact with 200 of the estimated 700 Levy-paying employers.

Information update

20. In April 2018, the Minister for Welsh Language and Lifelong Learning told the Committee that the Welsh Government has to date been in communication with over 400 companies and has referred over 700 employer enquiries to the National Training Federation for Wales.⁸

21. However, respondents to our consultation felt they were still not well informed. Urdd Gobaith Cymru told the Committee, “We are unclear, if or how the Apprenticeship Levy is used across Wales”.⁹

22. Universities Wales called on the Welsh Government to “work to provide further clarity to employers in Wales”. They felt that the Government’s message should go beyond why there are different arrangements in Wales, and should seek to develop employers’ understanding of how the different arrangements impact the provision available to employers.¹⁰

23. Cardiff and Vale College agreed:

⁶ Consultation response 07 Welsh NHS Confederation

⁷ Evidence paper from the Minister for Welsh Language and Lifelong Learning

⁸ Evidence paper from the Minister for Welsh Language and Lifelong Learning

⁹ Consultation response 06 Urdd Gobaith Cymru

¹⁰ Consultation response 05 Universities Wales

“Communication needs to improve to provide employers with central access to information and improve understanding on the apprenticeship system in Wales, how it works, who it is aimed at and what is involved in delivery.”¹¹

24. The Construction Industry Training Board (CITB) welcomed the Welsh Government’s commitment to provide a new online customer facing function, enabling employers to access detailed advice on how they can access apprenticeships.¹² The commitment had been set out in the Welsh Government document “*Aligning the Apprenticeship model to the needs of the Welsh economy*”,¹³ published in February 2017 alongside a communications toolkit for employers.

25. As part of the follow-up review, the Minister told the Committee that before the summer, she would be publishing a “revised employer’s communication toolkit...with the target audience being all employers in Wales”.¹⁴

26. The Minister also told the Committee that employers in Wales are able to access “one to one” discussions with officials to create a “bespoke offer” of support and a guarantee of quality.¹⁵ But she also recognised the on-going need for “a very intense communication intervention”¹⁶ to ensure employers knew what was available to them in Wales.

Wider engagement

27. Cardiff and Vale College identified the need for wider engagement, saying “there is an opportunity to further promote apprenticeships as a career opportunity which is on a level playing field with University and A-level study”.

28. Colleges Wales agreed, saying;

“For apprenticeships to have true parity with FE/HE more must be done to attract large employers to advertise their opportunities to school

¹¹ [Consultation response 13 Cardiff and Vale College](#)

¹² [Consultation response 02 CITB Wales](#)

¹³ [Welsh Government, *Aligning the Apprenticeship model to the needs of the Welsh economy*, February 2017](#)

¹⁴ [Evidence paper from the Minister for Welsh Language and Lifelong Learning](#)

¹⁵ [Record Of Proceedings, para 136](#)

¹⁶ [Record Of Proceedings, para 112](#)

leavers so that apprenticeships are a valued opportunity by parents/guardians.”¹⁷

29. The Committee notes and welcomes the Welsh Government’s “‘Have a Go’ programme”¹⁸ which has engaged with 55,000 young people over the last year, giving them a chance have a vocational experience in a college or school.

30. Remploy told the Committee that “according to latest statistics, only 2.7 per cent of learners in work-based learning provision and 1.3% of apprentices in Wales have a disability or long term health condition. This compares to 9% in England. This is despite 20% of working age people in Wales having a disability or long-term health condition”.¹⁹

31. Remploy also reported that it welcomes the establishment of the Welsh Government’s Inclusive Apprenticeship Working Group, and the Welsh Apprenticeships Disability Action Plan it is anticipated the group will produce.

32. Remploy told the Committee that it has worked with partners to develop an assessment tool to identify potential barriers that may exist in the workplace. The tool is designed to support individuals to stay in their apprenticeship “by allowing us to create an individualised support plan”.²⁰

Conclusion 2. The Committee reiterates its support for the Minister’s view that wholesale consultation resulting from the UK Government’s announcement of the Levy would not necessarily be desirable.

Conclusion 3. However, the Committee considers there to be a clear need for broad and meaningful consultation with employers in Wales who wish to influence the development of the apprenticeship skills framework, some of whom still feel uninformed about how the programme in Wales can help develop their workforce. The Committee looks to the newly established Welsh Apprenticeship Advisory Board to carry out that role.

Conclusion 4. The Committee recognises the need for employers in Wales to be kept well informed. The Committee welcomes the Welsh Government’s commitment to publishing a revised employer toolkit before the summer.

¹⁷ [Consultation response 03 Colleges Wales](#)

¹⁸ [Evidence paper from the Minister for Welsh Language and Lifelong Learning](#)

¹⁹ [Remploy letter](#)

²⁰ [Remploy letter](#)

Conclusion 5. The Committee believes that the Levy has focused minds on the delivery of apprenticeships, creating an opportunity to build on momentum and widen the discussion to young people and their parents. The Committee has previously expressed the importance of doing so in a way that promotes inclusivity and diversity and so welcomes the establishment of the Inclusive Apprenticeship Working Group and the development of the assessment tool.

Recommendation 1. The Committee calls on the Welsh Government to keep the membership of the new Welsh Apprenticeship Advisory Board under review and ensure there are suitable pathways for all employers to influence the work of this Board. To this end, the Board should work transparently and ensure its papers and findings are published and disseminated in a timely and appropriate manner.

Recommendation 2. The Committee calls on the Welsh Government to build on the momentum created by the Levy and encourage greater engagement between employers and young people. Engagement should seek to promote inclusivity and diversity across frameworks, including through the new Inclusive Apprenticeships Working Group, which should publish its action plan and share it with this Committee within 12 months of its first meeting.

3. Cross-border issues, expectations and portability

33. In 2017, the Committee was pleased to hear that the Levy had already appeared to lead businesses that did not traditionally employ apprentices to reconsider how they could.

34. However, the new focus served to highlight concerns about the increasing divergence of apprentice schemes. Cross-border differences created issues around alignment and portability of qualifications, with a potential impact on the careers of apprentices who wish to move around the UK.

35. The Committee noted that a number of employers were frustrated at the lack of flexibility in the Welsh apprenticeship scheme in comparison to the English, particularly in those industries and sectors that had not traditionally employed apprentices.

Update

36. Universities Wales told the Committee:

“A recent report by the National Centre for Universities & Businesses found that UK wide employers are facing challenges in implementing consistent early talent strategies due to the differences in apprenticeship policy in respect to the levy across the nations.”

37. The Welsh Retail Consortium (WRC) told the Committee that “differing standards” in systems across the UK created “difficulties in drawing up business wide job specifications”²¹ for national employers.

38. Cardiff and Vale College gave the Committee an example of a national and “significant” employer which withdrew the offer of 19 apprenticeships in Wales in favour of the English system that they felt better represented their “industry standard”. The College used the example to reiterate their opinion that the “interoperability of an apprenticeship skills offer between England and Wales”²² was key.

²¹ Consultation response 10 Welsh Retail Consortium

²² Consultation response 13 Cardiff and Vale College

39. The Confederation of British Industry (CBI) told the Committee that employers consider the “post apprenticeship Levy system too complicated”²³ and in addition to guarantees about the portability of skills, called for a common administrative approach or alignment between nations for the sake of businesses operating UK wide.

40. The CBI also highlighted that as training providers were engaged through the Welsh Government rather than through businesses themselves, “the purchasing power is not in the hands of the Welsh Levy employers”. They considered this to be a factor in some employers in Wales “having to use training providers in England to meet their training needs”,²⁴ as they felt that option was easier.

41. The Federation of Small Businesses (FSB) felt that in England standards developed through engagement with employers had led to large companies, who had the time and expertise to develop and quality assure apprenticeship specifications, becoming the driving force behind the creation of qualifications that meet “company specific standards”,²⁵ which are less portable, rather than framework qualifications that had been the norm.

42. Universities Wales told the Committee they were concerned that Welsh Universities would be seen as “unresponsive” due to a delay in introducing frameworks and funding for degree apprentices in Wales, at a time when they have been taken up by a wide range of employers in England. They also pointed to the “robust quality assurance” of degree apprenticeships in Wales. They told the Committee that “the first degree apprenticeships will start in Wales this year in the Welsh Government’s priority areas of computing, engineering and advanced manufacturing”.²⁶

43. In her paper to the Committee, the Minister for Welsh Language and Lifelong Learning identified three priority areas for the apprenticeship programme:

- “Eliminating the qualification gap between Wales and the rest of the UK;
- Driving inclusivity, diversity and fair work; and

²³ [Consultation response 11 CBI Wales](#)

²⁴ [Consultation response 11 CBI Wales](#)

²⁵ [Consultation response 08 FSB](#)

²⁶ [Consultation response 05 Universities Wales](#)

- Responding to current and projected skills gaps.”²⁷

44. The recent report on the English apprenticeship system, “*The Great Training Robbery*”, called for a benchmarked definition of “apprenticeship” and a scrapping of any standards that fail to meet that definition. It called for a simplification of the system in England.²⁸

45. The Minister told the Committee that the Wales approach defends the apprentice “brand” and maintains quality and transferability of skills over flexibility for the employer. Unlike in the English system, there have been no changes to the Welsh approach since the introduction of the Levy.

46. The Minister also claimed the Welsh approach was less complicated than in England, with 30 frameworks in Wales compared with 546 in England.²⁹

Conclusion 6. The Committee is concerned to hear that some employers are choosing to deliver apprenticeships through the English system only. This appears to be as a direct result of their perception of the Welsh system as less flexible and not affording them direct influence over the training content.

Conclusion 7. The Committee was also concerned to hear that the portability of qualifications remains an issue, although it was pleased that this area is one of three key priorities for the Minister.

Conclusion 8. A lack of commonality between the nations of the UK is an issue for some UK wide businesses.

Conclusion 9. In its February 2018 report “Apprenticeships in Wales”, the Committee stated its support for degree level apprenticeships and welcomes the roll out of new apprentice degree options. The Committee notes the Welsh Government’s acceptance of its earlier recommendations on this issue and looks forward to an update on the development and delivery of degree apprenticeships in October 2018.

Conclusion 10. The Committee is concerned that there remains confusion about what the apprenticeship and wider workplace skills programme offers employers in Wales, and the perceived complexity of the system.

²⁷ Evidence paper from the Minister for Welsh Language and Lifelong Learning

²⁸ Richmond, Tom, “*The Great Training Robbery: assessing the first year of the apprenticeship levy*”: Reform, 2018

²⁹ Record Of Proceedings, para 84

Conclusion 11. Where lessons have been learned elsewhere, such as those set out in the report “The Great Training Robbery”, they should be considered in the Welsh context and acted on, where applicable.

Recommendation 3. The Committee calls on the Welsh Government to work with the UK Government and other devolved nations to simplify the administrative process for employers and find commonality between the UK and devolved nations’ approaches.

Recommendation 4. The Committee calls on the Welsh Government to consider the recommendations made in “The Great Training Robbery”, and act on those that are applicable to the Welsh context.

Recommendation 5. The Committee calls on the Welsh Government to issue high-level information on what support for workplace learning is available to employers in Wales, including apprenticeship and wider workplace training, and to disseminate that information through the WAAB and employers’ representative bodies or organisation.

4. Non-priority areas

47. In 2017, the Committee heard that as the Welsh Government focused its support on priority sectors, non-priority sectors were concerned that they would be unable to access any return on their Levy payments.

48. The Welsh Government's focus on higher-level apprenticeships (Level 3 and above) was also a concern for some non-priority employers such as retail, whose apprenticeships had traditionally been delivered at Level 2.

49. The Committee reported that although it supported the move to higher-level apprentices, more could be done to alleviate the fears of other employers who were perhaps unaware of the alternatives that were available to them in terms of support for workplace learning.

50. The Committee returned to the issue of higher level apprenticeships in its February 2018 report "Apprenticeships in Wales" in which it looked at apprenticeships more widely. The findings are reflected in earlier comments in this report relating to degree level apprenticeships.

Lower level apprenticeships

51. In April 2018, Andrew Clark, Deputy Director Further Education and Apprenticeship Division, Welsh Government, told the Committee the Welsh Government was continuing to provide apprenticeships for the "the priority areas of the economy that we wish to best support. So, the free-for-all, if you like, that happens to the east of us isn't happening here".³⁰ That does, however, raise the issue of how non-priority sectors access a return on their Levy payments.

52. In response to the 2018 consultation, the WRC told the Committee that the focus of training provision does not always align with the industry. This led them to feel that the Levy funds paid by retailers were effectively lost to them, despite the fact that retail is the largest private sector employee in Wales with over 135,000 employees. They called on the Welsh Government to create a "Flexible Skills Fund, which goes beyond apprenticeships, to support retail skills training more broadly".³¹

³⁰ [Record of Proceedings, p104](#)

³¹ [Consultation response 10 WRC](#)

53. The CBI voiced concern that the focus on higher-level apprenticeships was not ideal for all, and called for the “current provision of level 2...to be phased out over a longer period of time”.³²

54. Cardiff and Vale College were sympathetic to this view, saying, “An innovative solution is needed to support employers with an interest in delivering low priority qualifications”.³³

55. The Minister told the Committee that the Welsh Government focus was on vertical progression. As a result, she was unwilling to support Level 2 apprenticeships where there was no opportunity within the employment to progress further as “that’s not our priority at the moment”.³⁴ Instead, alternative workplace qualifications were available for those lower levels.³⁵

56. In her evidence to the Committee, the Minister described a Foundation Economy, in which employees were unable to transition into higher skilled roles. The Minister told the Committee that in the English apprenticeship scheme:

“You can become a barista, and they’ll teach you how to make hot coffee. It’s quite incredible that that can be labelled and badged now as an apprenticeship. We’re not going to put up with that in Wales.”³⁶

57. The Committee challenged the use of the term “Foundational Economy” in this context, and the assumptions expressed as a result. The Committee believes that the Foundation Economy can provide meaningful and rewarding work, in which people can develop high-level transferrable skills. Using the term in relation to jobs which have no or limited vertical progression fails to recognise the true worth of Foundational Sectors and those who work in them.

58. The assessment of the English apprenticeship scheme, “*The Great Training Robbery*” identified a changing age profile and movement towards higher-level training that suggested more experienced and older workers are increasingly becoming the focus of the apprenticeship programme “at the expense of less experienced and younger workers”. Colleges Wales and the B-wbl training consortium, in their written responses to the Committee’s consultation, called on

³² Consultation response 11 CBI Wales

³³ Consultation response 13 Cardiff and Vale College

³⁴ Record Of Proceedings, para 51

³⁵ Record Of Proceedings, para 112

³⁶ Record Of Proceedings, para 35

the Welsh Government to conduct research on the “impact of the Levy on the start profile age categorisation of learners”.³⁷

New demand

59. The FSB told the Committee that they considered the Levy to have created demand for apprentices in the largest employers and public sector, who were not previously interested. They observed that this renewed interest had led to a “scramble for apprenticeship frameworks” which they saw as problematic. They said:

“This approach brings two dangers. Firstly, that training that would otherwise have been undertaken by larger employers gets reclassified as an apprenticeship for financial reasons. Secondly, that Welsh Government becomes preoccupied with fulfilling the needs of a vocal minority by allocating a greater proportion of apprenticeship funding to them at the expense of SMEs who were previously engaged in the system.”³⁸

60. The FSB called for flexibility. They suggested a review of the existing frameworks with broad employer engagement, rather than leaving it to “industry leaders” to lead on designing content without reference to the needs of SMEs.³⁹

61. The Welsh Government told the Committee that during 2017, it “considered the content of all our operational Apprenticeships Frameworks, with the aim of making them more relevant to the needs of employers”.⁴⁰ Given that stakeholders told the Committee that further consultation with the Welsh Government would have been welcome, the Committee would be interested in how the needs of the employers were identified as part of the Apprentices Framework review.

Conclusion 12. The Committee recognises and is supportive of the Welsh Government’s encouragement of higher-level apprenticeships to meet the future needs of employers, especially in the face of the challenges and opportunities we anticipate automation, widely referred to as “the fourth industrial revolution”, to bring. However, there remains a need for lower level qualifications as an entry point for staff, and to meet the current needs of industries and sectors.

³⁷ Richmond, Tom, “The Great Training Robbery: assessing the first year of the apprenticeship levy”: Reform, 2018

³⁸ Consultation response 08 Federation of Small Businesses

³⁹ Consultation response 08 Federation of Small Businesses

⁴⁰ Evidence paper from the Minister for Welsh Language and Lifelong Learning

Conclusion 13. The introduction of the Levy created expectations for Levy and non-Levy employers, including those that the Welsh Government does not consider to be in an apprenticeship priority sector. Where those expectations have not been met, employers are feeling let down.

Conclusion 14. The Committee considers the Welsh Government's focus on apprentice progression to be reasonable. However, the Committee does not agree with the Minister's definition of a "Foundational Economy" and considers the Minister's correlation between foundational sectors and low skill as unhelpful at best.

Recommendation 6. The Welsh Government should be clear on the impact its focus on higher level apprenticeships will have on lower level apprenticeships. Where possible, the impact should be mitigated and the number of lower level apprenticeships reduced at a pace that is in line with the provision of alternative training arrangements.

Recommendation 7. The Committee calls on the Welsh Government to ensure that provision is made for people to access apprenticeships that will enable them to meet the challenges that will be posed by automation as part of the fourth industrial revolution.

Recommendation 8. The Welsh Government should keep under review the percentage of young people entering a workforce to undertake an apprenticeship, and how many apprenticeships are being used to upskill existing staff.

Recommendation 9. The Committee calls on the Welsh Government to reconsider its assumption that working in foundational sectors equates to a cap on skills and attainment. The Committee calls for clarity from the Welsh Government on the training and support available in place of Level 2 apprenticeships, and how the qualifications available to employees in the foundational sectors prepare them for higher-level learning.

5. Finance

UK Government funding to Welsh Government

62. In 2017, the Committee expressed concern that the introduction of the Levy brought into focus the complexity of the devolution settlement. The Committee also indicated its frustrations at the introduction of the Levy, and the negative impact it could potentially have on policy autonomy for devolved administrations.

63. The Committee's 2017 report detailed the new system of funding apprenticeships in England, with employers accessing "digital accounts" of Levy payments along with a 10% top up from the UK Government.

64. The Welsh Government received a population-based share of the Levy. However, as a further Barnett consequential, what represented a large proportion of the additional funds was then deducted from the Barnett baseline allocation to Wales resulting in "no noticeable additional funding available to Wales as a result of the Levy".⁴¹

65. Furthermore, in 2016 the then Minister estimated that paying the Levy would cost Welsh public bodies approximately £30 million.⁴²

66. In November 2016, the UK Government sought to address the financial concerns of the devolved nations by providing additional funding for three years. In addition to the sums shown below, the UK Government "committed additional funding for Wales of £13.7m in the first and £6.2m in the second year to ensure that Wales receives its fair share of any underspend that occurs in the adjustment period".⁴³

UK to Welsh Government Levy funding (£m)	2017-18	2018-19	2019-20
UK to Welsh Government population share of levy funding	128.0	133.0	138.0
UK to Welsh Government additional levy funding	13.7	6.2	0.0
Total UK to Welsh Government levy funding	141.7	139.2	138.0

Table 1. UK to Welsh Government Levy funding

⁴¹ Economy, Infrastructure and Skills Committee, *Inquiry into the Apprenticeship Levy*, March 2017.

⁴² Plenary 15 November 2016

⁴³ Secretary of State for Wales, *Response to a written parliamentary question*, 1 December 2016

67. The UK Government added that “beyond 2019-20, once the levy is embedded, the normal operation of the Barnett Formula should provide a similar outcome”.⁴⁴

Update

68. The Welsh Government is now in the second year of the three-year funding period, and the final year of the additional funding.

69. The Welsh Government told the Committee it has increased its investment in apprenticeships from £96 million in 2016-17 to £115.5 million in 2017-18. A further £115 million will be invested in 2018-19 to “ensure that small, medium and larger employers have access to apprenticeships in priority areas”.⁴⁵

70. The Minister also told the Committee she considered the apprenticeship programme in place to be fully funded at current levels. Any funding allocated to Wales as a result of the Levy but not used for the apprentice programme had been returned to the Welsh Government budget to relieve the financial impact of the Levy on public services and fund other Welsh Government priorities.⁴⁶

Value for money for employers

71. CIPD Wales told the Committee its members were concerned about increasing costs. They said “much of the negativity about the Levy is a view that it has inadequately replaced previously available government funding”.⁴⁷

72. Urdd Gobaith Cymru told the Committee they considered the Levy to be “lost in UK coffers” and so they believed “there are no direct gains to be had from the current regime”.⁴⁸

73. However, Cardiff and Vale College felt the focus created through employers paying the Levy had created “far greater interest” in using apprentices and a “strong desire to ensure the apprenticeship system delivers full or partial return on investment”.

⁴⁴ UK Government Press Release 14 November 2016

⁴⁵ Evidence paper from the Minister for Welsh Language and Lifelong Learning

⁴⁶ Record Of Proceedings, paras 15 and 17

⁴⁷ Consultation response 09 CIPD Wales

⁴⁸ Consultation response 06 Urdd Gobaith Cymru

74. They also commented that “the decision to use apprenticeships has extended beyond the HR arena and is now increasingly being scrutinised by senior Finance decision makers”.⁴⁹

75. The renewed attention of employers in this area has also led to a comparison being drawn between provision in England and Wales, with some CIPD members concluding, “the frameworks in England are much broader, encompass more levels and are generally delivered by a better quality of training providers”. They also felt that “the quality of providers [in Wales] is poor, the frameworks are restricted and the ease of being able to engage directly with providers rather than meeting Welsh Government priorities is frustrating”.⁵⁰

76. CBI Wales felt that the current apprenticeship arrangements meant that “the purchasing power is not in the hands of Welsh levy employers” and called on training providers to “lead from the front and make sure that they’re offering high-quality apprentices that suit local businesses”.⁵¹

Conclusion 15. Frustrations around learning support for industries and sectors considered non-priority by the Welsh Government are discussed in the previous section of this report. But even without that distinction being applied, it is clear that an increasing number of employers are looking for returns on their levy payments, and are frustrated at the restrictions that hamper their efforts to develop good quality apprenticeships that they consider right for their business.

Conclusion 16. Employers’ concerns around the suitability and quality of training provided as part of Welsh apprenticeship schemes raises questions around value for money. The Levy has given employers in England a direct route to training providers but this is not the case in Wales. At times, that has left employers frustrated that they cannot access the training that is right for them.

Conclusion 17. The new WAAB has been tasked with challenging and championing course content, but it is too early to tell if their work will alleviate the frustrations expressed here, and enable employers to feel engaged in the development of the apprentice programmes they have access to. Implementing recommendation 1 of this report should impact positively on this issue.

Conclusion 18. The Committee has previously made recommendations on the need to provide financial support to apprentices. The Committee considers this need to be unchanged.

⁴⁹ [Consultation response 13 Cardiff and Vale College](#)

⁵⁰ [Consultation response 09 CIPD Wales](#)

⁵¹ [Consultation response 11 CBI Wales](#)

Recommendation 10. The Committee calls on the Welsh Government to task WAAB with exploring how employers and training providers can work together to improve value for money outcomes that represent good quality and best fit for the employer, whilst protecting the portability of qualifications.

Recommendation 11. The Committee notes the Welsh Government's response to our previous recommendation in *Apprenticeships in Wales*, February 2018, in which the Welsh Government agreed in principle with the call for concessionary bus or rail cards for apprentices, dependent on the outcome of its consultation on "discounted bus travel for young persons in Wales". As that consultation summary of responses notes "very strong support for including those in recognised apprentice schemes (85%)", the Committee reiterates its recommendation for concessionary bus or rail cards for apprentices.

6. Impact on the public sector in Wales

77. In its March 2017 report, the Committee reported that the estimated cost of the Levy to public sector employees would be roughly £30 million. Stakeholders were concerned about the impact that this additional cost would have on their already pressured budgets.

78. Public sector employers shared the concerns of non-priority sectors that they would not see a return on their Levy payments. However, the Welsh Government suggested that public sector employers could be challenged to find new ways of using apprentices as part of their workforce planning.

Update

79. During this follow up inquiry, the WLGA told the Committee that “the cost to Welsh local authorities was £18m in 2017-18 which will increase as the pay bill increases in 2018-19 and future years”.

80. The WLGA also argued that as the cost of the Levy increases, the funding available for the wage bills of new apprentices decreases. This is having a “negative effect on the ability to employ apprenticeships and expand approaches”.

81. They repeated their 2017 call for the Levy to be disapplied to all maintained schools.⁵²

82. The Welsh NHS Confederation told the Committee its concerns remained. It felt that due to the size of the public sector in Wales, “workforce Levy payments are potentially significantly higher in the public sector than the majority of the private sector”.⁵³

83. The Welsh Government told the Committee “we need to be mindful that the levy has been introduced at a time when the UK Government has cut Wales’ funding for day-to-day services by nearly £1bn in real terms since 2010-11”.

84. The Committee was concerned to hear about the impact of the Apprentice Levy on the Welsh Police forces. The Chair of Welsh Chief Officers Group, Chief constable Matt Jukes, told the Committee “the four police forces in Wales contribute circa £2million per annum towards the UK government apprenticeship

⁵² Consultation response 14 WLGA

⁵³ Consultation response 07 Wales NHS Confederation

levy". However, as policing is not devolved to Wales, and training and education does not sit with the UK Government, apprenticeships for police are not being supported by either governments. The Chief Constable told the Committee that "degree-level apprenticeships will soon be a legal requirement for police officers in England and Wales". However, although the English forces can access funding of £24,000 per trainee officer over a three year police apprenticeships, Welsh forces would be required to fund the £25.8 million (£8.6 million per annum) equivalent themselves. The costs of the degree in Wales have been reduced to £2.8 million per annum, but the impact will still be substantial.⁵⁴

85. The Welsh Government reiterated its position to the Committee, saying "there is no agreement in place that the Welsh Government should fund the training of police officers or community support officers"⁵⁵ and "we think it is the responsibility of the UK Government to fund apprenticeships in that area".⁵⁶ The Minister confirmed that talks are ongoing with the Home Office on this issue.⁵⁷

86. The Committee wrote to the Home Secretary on the matter in May 2018, but no response had been received at the time of publication of this report.

Conclusion 19. As it did in its 2017 Levy report, the Committee notes the additional pressure the Levy places on the public sector in Wales, and the need to continue to be innovative in the development of support for public service staff.

Conclusion 20. The Committee considers the pressures on the Welsh Police forces to be an unintended consequence of the Levy. However, there appears to be limited progress in alleviating those consequences and finding a solution that avoids putting Welsh Police forces under pressure.

Recommendation 12. The Committee calls on the Welsh Government to work with public services to find innovative ways to support apprenticeships and other workplace learning for an increasing number of roles.

Recommendation 13. The Committee calls on the Welsh Government and Home Office to increase its efforts to resolve the issue of funding for police apprenticeships in Wales, ensuring that the Police forces are kept fully up to date with progress on the negotiations.

⁵⁴ [Letter from Chair of Welsh Chief Officers Group to Chair of EIS Committee](#)

⁵⁵ [Letter from Minister for Welsh Language and Lifelong Learning to Chair of EIS Committee](#)

⁵⁶ [Record Of Proceedings, para 174](#)

⁵⁷ [Record Of Proceedings, para 180](#)